

Housing finance between social needs and economic realities: The dilemma of policy transfer under neo-liberalism

Part of: [Comparative housing research: Approaches and policy challenges in a new international era](#)
· [list the conference papers](#)

Title

Housing finance between social needs and economic realities: The dilemma of policy transfer under neo-liberalism

Author

[Nubi, T.](#)
[Oyalowo, B.](#)

Date

2010-03-24

Abstract

The aim of this paper is to show how the interplay between social needs and economic realities affects housing policy in developing countries. The paper addresses the very topical issue of housing finance policy for low-income dwellers in rapidly urbanizing African countries. The paper locates housing finance firmly within the neo-liberal development framework being canvassed as the panacea to underdevelopment in these countries and argues that the dilemma facing governments in the current economic downturn is manifested in the realities of decreasing productivity, marginal economic growth, low development and massive urbanization problems versus low-income housing need within the constraints of a neoliberal macro-economic policy. The study adopts a comprehensive content analysis methodology which is based on the review of literatures, the analysis of media accounts of government activities in the housing sector and analysis of official government policy statements. This methodology is applied to housing policy in Nigeria (as a case-study of developing countries) and Britain (as a case-study of developed countries). Findings reveal interesting dimensions of change in institutional and political transformation of housing services in developed and developing countries: while housing finance reforms are generated within the system in developed countries, it is led by international institutions such as IMF and World Bank in developing countries. Thus, while developed countries have responded to the present economic downturn by adopting □more government□: direct injections into the housing finance basket, developing countries have exhibited a dilemma □seeking to satisfy legitimate, obvious housing needs and facing the need to conform to neoliberal policies in the hard realities of low productivity and marginal economic growth. The result has been the adoption of an □enabling□ toga which is overwhelmingly displayed as reduction of fund injection into low-income housing and a disturbing readiness to appropriate this role to a reluctant The paper concludes that sectorial policy transfers are incapable of meeting developmental needs when they take place within the context of divergent macro-economic policies. What is needed therefore are policies that are in tune with local realities, and are flexible and responsive to change. This is best achieved with home-grown policies. However, governments necessarily operate within a comity of nations and therefore have to sign on to global agreements. The challenge for governments here is to localize foreign policies and then mainstream them into indigenous policies and hence ensure that when policy transfer occurs, it is not to the detriment of the people they are meant to serve.

Subject

housing finance, affordability, policy, neo-liberalism

To reference this document use:

<http://resolver.tudelft.nl/uuid:14c63c81-79c3-415f-a4f3-152ff596536b>

Part of collection

Conference proceedings


Document type

conference paper

Rights

(c) 2010 Nubi, T.; Oyalowo, B.

Files

PDF			Olunubi_Oyalowo.pdf	105.76 KB
-----	---	---	-------------------------------------	-----------

HOUSING FINANCE BETWEEN SOCIAL NEEDS AND ECONOMIC REALITIES: THE DILEMMA OF POLICY TRANSFER UNDER NEO-LIBERALISM.

Timothy **NUBI (Ph.D)**: Department of Estate Management, University of Lagos, Akoka, Yaba, Lagos Nigeria

Basirat **OYALOWO**: Department of Estate Management, University of Lagos, Akoka, Yaba, Lagos Nigeria

Abstract:

The aim of this paper is to show how the interplay between social needs and economic realities affects housing policy in developing countries. The paper addresses the very topical issue of housing finance policy for low-income dwellers in rapidly urbanizing African countries. The paper locates housing finance firmly within the neo-liberal development framework being canvassed as the panacea to underdevelopment in these countries and argues that the dilemma facing governments in the current economic downturn is manifested in the realities of decreasing productivity, marginal economic growth, low development and massive urbanization problems versus low-income housing need within the constraints of a neoliberal macro-economic policy.

The study adopts a comprehensive content analysis methodology which is based on the review of literatures, the analysis of media accounts of government activities in the housing sector and analysis of official government policy statements. This methodology is applied to housing policy in Nigeria (as a case-study of developing countries) and Britain (as a case-study of developed countries).

Findings reveal interesting dimensions of change in institutional and political transformation of housing services in developed and developing countries: while housing finance reforms are generated within the system in developed countries, it is led by international institutions such as IMF and World Bank in developing countries. Thus, while developed countries have responded to the present economic downturn by adopting 'more government': direct injections into the housing finance basket, developing countries have exhibited a dilemma –seeking to satisfy legitimate, obvious housing needs and facing the need to conform to neoliberal policies in the hard realities of low productivity and marginal economic growth. The result has been the adoption of an 'enabling' toga which is overwhelmingly displayed as reduction of fund injection into low-income housing and a disturbing readiness to appropriate this role to a reluctant private sector.

The paper concludes that sectorial policy transfers are incapable of meeting developmental needs when they take place within the context of divergent macro-economic policies. What is needed therefore are policies that are in tune with local realities, and are flexible and responsive to change. This is best achieved with home-grown policies. However, governments necessarily operate within a comity of nations and therefore have to sign on to global agreements. The challenge for governments here is to localize foreign policies and then mainstream them into indigenous policies

and hence ensure that when policy transfer occurs, it is not to the detriment of the people they are meant to serve.

Keywords: housing finance, affordability, policy, neo-liberalism.

1. INTRODUCTION

Arguably, 'the global rules of economic engagement are bifurcated: one set of rules that embody Keynesian activism for rich countries, and neo-liberal orthodoxy and free market for the rest' (Ifediora 2009:11). These rules are played out in the development of international conventions and agreements, they are utilized as guidelines for economic reforms that would bring about much needed development for poorer nations and are also set as requirements for accessing grants and development aid from organizations sympathetic to this cause. Of course, had these rules supplied the much touted benefits, it would have been unnecessary to write this paper. There appears to be some conflict: At the best of times and in the face of the need for social services, it would appear that even as developing nations admit the dearth of infrastructural services for the majority of their people that are can ill-afford services such as healthcare, housing, water, electricity, they are hard-pressed to supply these as social services, preferring instead to call on private sector participation in fund raising and risk taking; thus deflecting these social services from the government's balance sheet.

The mantra of 'less government' has become fashionable in these countries as they adopt neoliberal approach believed to have brought development to the richer nations of the world. This policy transfer from large, direct, government expenditure to the seeking of private sector funds and foreign direct investment is reminiscence of the doctrine of neoliberalism. Neoliberalism has come to be the preferred macro-economic policy option, and sectoral policies in areas like housing, water, and electricity and so on are being adjusted to its requirements. Hence the privatization of relevant public organizations and institutions are a necessary condition for overall adherence to neoliberal democracy. Where a greater percentage of the population is least able to exercise effective demand and in the wake of the economic downturn, it can be appreciated that some policy actions would be necessary to save these sectors from collapse due to non-participation in the market. This is exactly what happened in most of the developed countries of the world, which saw the entrance of the government into the market (not that they had been far from it in the first place, as they had provided market driven safety-nets for their low-income citizens). In the case-study developing country, the reality seems that there has been continued adherence to the doctrine of 'less government', even as the need escalated and even as private sector participation has produced less impact than envisaged.

1.2 The Purpose of This Paper

In this research paper, we answer a couple of questions: First, we seek to examine new policy strategies that have been adopted by the case-study countries to mitigate the impact of the economic crisis on the housing market. Secondly, we ask: what has driven

these policy changes: desire to satisfy social needs or economic considerations? We also seek to examine the relationship between the prevailing macro-economic policy and housing policy changes-are they in conformity? Finally, with special focus on the transfer of policy from Britain to Nigeria, we enquire into the nature and possible impact of policy transfer between the two countries. In subsequent sections we introduce the concept of neoliberalism and its relationship to the housing market. We then present the study and this is followed by a discussion of findings where we examine, in turn, the housing policy changes in Britain and Nigeria in the wake of the economic downturn.

3. CONCEPTUAL BACKGROUND

3.1 A Brief on Neo-liberalism

Neoliberalism as a politico-ideological construct has matured from the original (and then controversial) teachings of Adams Smith-who in 'The Wealth of Nations' (1776) promoted individual interest as a basis for national economic development-to find appeal globally, being adopted voluntarily by developed countries and becoming highly recommended as the panacea to under-development in the developing countries.

Neoliberalism is generally associated with free trade, reduced government intervention in wealth creation, and promotion of market-dependent strategies to serve economic and social needs. It springs from the theory that in the pursuit of individual welfare, collective good can be served. This theory of human behavior that seems an oxymoron in concept seems to find credence in its adoption as a policy for macro-economic growth. Thus, neoliberalism has been held to be the major factor accounting for economic development in the developed countries, and development agencies operating from this platform actively promote the adoption of privatization, dismantling of state owned institutions, and commoditization of state-owned property, deregulation and cuts in public expenditure, opening up of partnership arrangements with the private sector, development of foreign reserves, globalization and a lot more. All these signal 'less government' and 'more private' involvement.

3.2 Neo-liberalism: A Panacae to Underdevelopment?

For developed countries, liberalism and neoliberalism are natural policies that will be adopted as part of the framework for entrenching stable democratic governance. In developing countries however, the situation might not be so compact. Neo-liberalism has come to mean cuts in public expenditure, privatization of property rights, rolling back of environmental and labor considerations and decentralization of regulations from national to state and local government/municipal levels (Liverman and Vilas 2006). All these allegedly reduce the quality of lives of people in developing countries because production capacity by free enterprise is low, governance not matured and the capacity of private enterprise to make profit for itself and hence satisfy social needs is limited. This has led to the concentration of land, production and wealth with a few people and increasingly in the hands of an international firms, with the effect that neoliberalism is accused of dismantling state institutions, leading to widespread destruction of livelihoods to the point where governments are threatened in countries like Bolivia, Argentina and Brazil and where the promoters of these policies, such as the World Bank are working to cushion the impact. In these and a number of developing countries,

neoliberalism is argued to be a new form of imperialism where new resources are identified, expropriated and assigned to private property, commoditized and exported to support capital accumulation by a few powerful interests (Liverman and Villas 2006). Neoliberalism is further accused of promoting class bias and of failing to positively transform the economic and social conditions of the working people, and hence the search for alternative development strategies in developing nations. In recent times, there has been calls for local macro-economic developmental policies for developing nations in particular, with the view that these offer more bottom-up, people centered development approached that differs from neoliberal economic reforms (Barkin 1998, Canterbury 2004, Veltmeyer & O'Malley 2001).

On the other hand, neoliberal reformers argue that to bring accelerated economic, social and political empowerment to the world's poor; there is a need for national governments in countries like Africa, Latin America and the Caribbean to embark on structural adjustment which would remodel their economies on strict market principles and adopt liberal democracy to maximize the benefits of globalization. Their argument seems evidenced by the fact that the advanced capitalist countries which had formulated and adopted the neoliberal development agenda parade the highest quality of life for their people. (Human Development Index by the UNDP for 2004 ranked Norway, Australia, Ireland, Sweden, Canada, US, Switzerland and Netherland amongst the top ten with high human capital development and countries like Ethiopia, Chad, Guinea Bissau, Burkina Faso, Mali, Sierra Leone and Niger ranked amongst the lowest ten; although some schools of thought (such as expressed in Canterbury 2004) believe that the HDI does not reckon with indicators such as capacity to develop alternative development policies that are a fundamental sign of advanced human capital in developing nations.

This is further accentuated by the fact that in the delivery of housing services for instance, countries such as Denmark, USA, UK, Germany and Portugal that has adopted free market mechanisms such as mortgages present a much higher GDP than developing countries that have not (Nubi 2008). Other studies including that of Norris & Shiels (2006) who researched into housing conditions in the European Union found that countries that had adopted neoliberalism earlier, such as Britain had better housing conditions than the EU countries which had just adopted neoliberalism by dropping their communist structure. Thus, as Beer, Kearins, & Pieters (2007) note, the effect of Neoliberalism is not uniform across nations and even within nations; its expression at the national, regional or local level being founded on historical, political and geographical circumstances. With a special focus on housing policy, this paper is concerned basically with how neoliberalism affects social needs. Neoliberalism promotes the supply of social needs through private enterprise. When applied to a public good such as housing, are exceptions to the free market provision inevitable?

3.3 Housing Markets and Neoliberalism

Housing markets refer to the exchange of dwellings by individuals or households for homeownership or investment (Forrest 2008:3). In relation to the localized nature of

housing products, it could be said to exist in a physical area within which all dwelling units are linked together in a chain of substitution with the effect that it necessitates the creation of submarkets divided according to features that could facilitate competition such as tenure, price, location, age, quality etc (Agbola & Olatubara 2007). Housing finance is a critical component for housing market development as it is required to strengthen domestic financial systems, it is one of the largest asset classes in the economy and the provision of a critical social good (Nubi 2007).

The pivotal role of finance in housing market was only brought to limelight in the last decade in developing economies where housing for a long time was perceived as just 'brick and mortar'. While finance is a policy priority in developed economies, concentration has always been on housing as a product and not as a process in emerging economies. Land, labor and building materials have enjoyed so much attention in housing reforms at the expense of designing a robust finance system. The availability and development of housing finance market is a policy priority that remains key to any meaningful development, especially given the small, unstable and fragmented nature of housing finance in most developing countries. In these countries, housing funds are claimed to be accessible through informal and formal sources (where funds are derived from commercial banks and mortgage banks), while in reality the informal sector provides 80% of housing funds (Nubi 2007). Mortgages are instrument of capitalism and the acknowledged bedrock of the housing finance system in developed economies. Promotion of mortgaged homeownership has therefore been the primary focus of housing policy since the 1930s in most developed countries (Nubi (2007), Stone (2009)).

In these countries, adopting the mortgage policy meant the stimulation of private enterprise. Several additional institutions to support lending; ideological promotion, marketing and subsidies are often promoted through the tax system. However, globally integrated financial markets and significant increases in cross border financial flows coupled with mortgage defaults and foreclosures, poor underwritings, poor regulatory framework could occur to the detriment of the entire financial and mortgage system (Stone (2009), Forrest (2008)). This is the crux of the economic and financial crisis of 2008/2009. A robust and sustainable mortgage system depend on a industrialized housing developed system, where houses, the main underlying asset delivered through an industrialized system giving rooms for standardization, quality and security of assets. These conditions are available in developed economic but remain lacking in developing economies but where construction remains incremental and usually for about 15 years (Omirin 1992).

In spite of this, a major concern of developing nations remains the need to satisfy housing demand of rapidly expanding populations, while reducing government expenditure. In countries like Nigeria where direct provision of housing by the national government had recorded minimal success, there has been policy shift. The natural tendency has been towards the call for private-sector driven participation in housing delivery, with the government joining others in the world to shift from a 'provider' status to an 'enabler' role. However, where housing fund management is still strictly in the

hands of public sector institutions, little can be achieved. This structure is said to impede, through stifling innovation and incongruent regulations, private sector participation in production and financing of housing.(Agbola & Olatubara (2007), see also Buckley, Faulk & Olujide (1993) for a more exhaustive discussion).

The crucial question seems to be: can the private sector operate in all housing submarkets? Does policy transfer recognize that private sector participation is taken for granted in some submarkets and carefully avoided in others? Is it recognized that policy transfer in housing fails where the policy allots market functions to actors that are neither suited or willing to operate in that submarket? This is one dilemma of policy transfer for the satisfaction of social needs.

3.4 The Policy Transfer Connection

Policy transfer is used extensively as a tool to circulate development ideas. Certain factors are amenable for successful adoption. These are identified by Austin (2009) as follows: an understanding of the operation and effectiveness of the policy in its home country, local institutional factors, structures and processes in both originating and recipient countries, the role of agents (politicians, policy staff) in championing change transfer and redesigning to fit the local context and still meet desired objectives. Policy transfers are best when they are designed using 'disciplined inspiration', which is a policy transfer based on policy designed with some elements drawn from the overseas policies and not inconsistent with them (Rose 2005).

The founding father of neoliberal thought Adams Smith postulated that social needs can be met by the satisfaction of individual needs, but did not fail to note that fairness and equity are an essential part of neo-liberalism. This thinking has made it possible for private sector enterprise to be regulated in some form to ensure fair distribution of wealth. The private sector is heavily dependent on the existence of a public sector regulator for efficient operations. In the housing market, this is in terms of planning laws, construction standards, housing finance vehicles, availability of legal, fiscal and physical infrastructure etc. if these regulations are congruent, the public sector can expect private enterprise participation in virtually all housing submarkets.

4. THE STUDY

The study adopts a comprehensive content analysis methodology which is based on the review of literatures, the analysis of media accounts of government activities in the housing sector and analysis of official government policy statements. This methodology is applied to housing policy in Nigeria (as a case-study of developing countries) and Britain (as a case-study of developed countries). An important element of this analysis is the accurate choice of materials to be reviewed. For Britain, the preferred choice is The House of Commons' Communities and Local Government Committee's 'Housing and The Credit Crunch Third Report of Session 2008-2009'. This document was chosen because it presented the views of a variety of stakeholders in the British Housing Market, and these stakeholders provided verbal and written accounts of the issues raised.

Because of the nature of the investigation, pertinent questions relevant to this paper had been asked and comprehensively answered in the proceedings of the inquiry. He report therefore was attractive as a source document of unbiased interview from some of

BRITAIN'S most active players in the housing market. For Nigeria, policy documents such as the published Acts of Legislature and Decrees were obtained and several documents were also obtained from the website of the World Bank. In addition, media reports were relied upon as a means of obtaining information emanating directly from Government activities. It is important to note that the authors have collected information that are already in public domain.

5. FINDINGS/DISCUSSION

5.1 Policy Inventions in the Housing Market: Britain

Homeownership in Britain has been facilitated by a relatively well developed social housing sector, where housing provision is driven by private-sector modeled Housing Associations that derive funds partly from the Central Government and partly from their own profit generation drive. Although the social housing sector is deemed to be residualized, it nevertheless exists to satisfy a social need: the provision of housing for people who are unable to fully operate in the free market. On the other hand, the government also intervenes in the housing market for people who are able to operate in the free market but are constrained by limited earning, hence the development of schemes such as key-worker schemes, first-time buyer schemes etc, are also in place as a means of ensuring that people are enabled to operate in the free market.

In the wake of the economic downturn, there has been direct intervention by the British government into the housing market, on both the demand and supply side. This intervention is predicated on the recognition that housing demand will always exist, although effective demand is affected by the credit crunch, making it imperative that some form of assistance is made to those made most vulnerable by the crunch. Going by the document analysed (The House of Commons' Communities and Local Government Committee's 'Housing and The Credit Crunch Third Report of Session 2008-2009') direct intervention is observed in the following areas:

1. **Target Retention in spite of economic meltdown:** The annual housing targets is set at a minimum of 70,000 affordable homes, of which 45,000 should be new social rented homes, need to be built each year by 2010–11. The committee at strongly advocated for the retention of the targets and an increase the target for new social rented homes should be increased, both to address a historic backlog in need and to meet the likely increase in demand from households unable to purchase a home or access good quality private rented provision as a result of current economic circumstances. (The House of Commons' Communities and Local Government Committee (2009: 7). This is an admission of the need to ensure steady supply of housing and the recognition that the social demand for housing will continually exist.
2. **Buying up developers' unsold stock:** The report documented government attempts at rejuvenating the housing stock, by buying, through a special fund, unsold housing stock by housing providers, in order to free up investment and encourage new builds. It is noted that as at January 2009, 4,800 homes had been purchased at a cost of £138 million.
3. **Funding the construction of new social housing:** The British government has promised a sum of £975 Million (drawn from subsequent years' budgets) for the

construction of more social housing to ensure that demand is met and supply free from target restrictions. This fund is pooled into the Social Housing Grant which is accessible to providers of social housing (housing associations). Further, these housing associations are further empowered to build more units by increased injection of funds (wherein they can now access 60% of the construction costs) into the social housing grant.

4. **Special Housing Schemes for Special Categories:** In the recognition that even with falling house prices, many buyers, particularly first-time buyers, will remain unable to afford a home, the British government has intervened in the provision of six separate schemes such as 'Low Cost Home Ownership schemes' to assist these special categories of people. HomeBuy Direct is another scheme which assists with equity funds worth £300 million targeted at 10,000 first-time buyers.
5. **Mortgage Rescue:** One of the ways by which the government has responded to the economic downturn in the housing sector is to inject direct fund worth £200 million into the mortgage sector through the use of a mortgage rescue policy that seeks to provide funds for six thousand vulnerable households at short-term risk of repossession. The mortgage rescue plan will be executed via the use of shared equity, in which a housing provider (usually a housing association) provides an equity loan enabling a household's mortgage payments to be reduced. The government mortgage-to-rent scheme will see the housing association paying off the entire mortgage with the householder paying rent to the housing association at an agreed, affordable level. There is also an Income Support for Mortgage Interest (ISMI) payments scheme, which is designed to provide loan support for households which have lost one of two incomes or which have had a significant reduction in income. A reform to facilitate ease of access to loans, and a temporary increase in the capital limit on loans from £100,000 to £200,000 has been implemented.

All these policies are intended to reduce the number of home repossessions and also to promote confidence in the housing market by preventing avoidable repossessions which can cause unnecessary public concern.

Running through the 270 page report, it is clear that the British Government as well as the major regulatory agencies responsible for the social housing sector are keen to reduce social concern, and reduce homelessness amongst the people. With several home support schemes targeted at different groups of beneficiaries, with various funds accessible directly by low income and vulnerable households, there is a clear social motive for government intervention. This social motive has been deployed to strengthen the free market institution of mortgage lending and to provide private sector players with enough confidence to implement public policy. While these social policies do have their criticism that these policies are earmarked to benefit a relatively lower proportion of the citizenry; the irony of these criticisms cannot be overlooked: 'more direct government intervention for more citizens'.

Despite this, the policy framework shows clear congruency manifested in the political ideology of a labour government operating within a neoliberal structure, working to strengthen the markets, while at the same time, taking exceptions to benefit people who would otherwise be unable to participate in the market, but whose collective

participation is crucial to further development of the economy: Here the social meets the economy to strengthen both.

5.2 Policy Interventions in the Housing Market: Nigeria

5.2.1 Previous Housing Policies and Programmes

The Nigerian Housing policy is historically encased in the nation's development plans. Since Independence in 1960 up to the re-assumption of democratic governance in 2003 (with a few exceptions towards the end of the Military regime), Nigeria's development strategies has been captured in five yearly national development plans, which have met with various degrees of success. Governments' various attempts at nationalization and later liberalization are captured in these plans. During this period, intervention in the housing market by the government took the form of construction of a core component (consisting of a sitting room and a bedroom with sanitary areas and kitchen) referred to as 'core housing project'; construction of units of detached and semi detached two or three bedroom bungalow was also popular and in some programmes, the construction of blocks of three bedroom or two bedroom flats was done. These are meant for the 'low income' (defined in s7.1 of the National Housing Policy of 1991 as: 'people whose annual income is ₦5000 (about \$33 at exchange rate of ₦1 equals \$150 as at March 2010) or below as of 1988, or people whose annual income is 20% or below the maximum annual income of the highest salary grade level within the civil service structure...whichever is higher).

The civilian administration of 1979-1983 for instance had targets of 40,000 such units annually, though met with limited success at 20% completion with the construction of 32,000 units as at June 1983. Further during the fourth national development plan (1980-1985), ₦600,000 million (about \$3,994,314) was expended on the implementation of a national low-cost housing Programme, which also had limited impact on the housing need. In this framework, private sector participation in housing finance has been confined disproportionately to the informal sector; principal sources are from the personal savings, gifts from friends and family, cooperatives and remittances from overseas. The participation of banks, insurance companies and other formal players has been minimal, with only 5% of the 10.7 million housing stock held in mortgages (CBN 2007).

An attempt at deregulating the economy was carried out by the then military government in 1986 with the implementation of a Structural Adjustment Programme (SAP); and the strategy was to deregulate the economy, reduce controls and subsidies in order to allow market forces determine the direction of growth. Using the generic character of Structural Adjustment Programme SAPs, the Nigerian government wanted to achieve diversification and expansion of the economy based on a sustainable,

balanced and minimum inflationary growth, reduce public sector ineffectiveness and ensure a rapidly growing private sector (Lawal 1997:139). The National housing policy of 1991 was created in line with the philosophy and is next consider in some details.

Section 1.3.3.1 of the National Housing Policy of 1991 recognised the dismal failure of the direct construction approach and offered reasons for this, raging from inappropriate design of the units which failed to meet the expectations of the diverse cultural ethnic nationalities in the country, inappropriate location, inappropriate construction procurement methods and a lack of citizen based approach to allocation of the units. Thus, it was clear that the provision of housing using direct government' funds have achieved minimal impact in reducing the housing shortfall estimated at between 12-16 million as at 2007. The adoption of private sector collaboration was deemed necessary and this was officially launched with the articulation of the 1991 National Housing Policy.

The National Housing Policy had an ambitious goal: 'to ensure that all Nigerians own or have access to decent housing accommodation at affordable cost by the year 2000 AD. (S2.2). This vision was in line with global accords on the provision of social facilities. It set housing within the context of social development, generation of employment opportunities, geographical considerations and location of other activities; principally industrial, commercial an agricultural uses. To meet the 8 million projected housing need (covering 5 million urban housing needs, 32 million in the rural areas where 80% o the Nigerian population then resided), the policy targeted the production of 700,000 housing units per annum up to 2000AD. Today's projected shortfall is a testimony of the level of achievement of the policy. However, this policy was to change the institutional structure for housing provision and finance in Nigeria.

Most significantly, this policy signaled the intention of the government to join its counterparts in other parts of the world, to don the 'enabler' toga and minimize its activities in the direct construction of mass housing towards creating the 'enabling' environment for private sector direct participation. S3.2 and S3.9 allowed the federal government devolve the responsibility of direct provision to the state governments, and this compares with Jessop's (1991) analytical framework stating devolvement as an indication of a country's adoption of neoliberalism. The NHP was thus intended to 'create a new housing finance system, encourage the linkage of the housing sector to the capital market, establish a National Housing Fund (NHF), and expand private sector role in the housing delivery system' (Ajanlekoko 2001). The National Housing Fund so created by Decree No 3 of 1992 and had quite a few regulations that even then contradicted the liberalization of the financial system in Nigeria. This contradiction relates to sections 3 and 5 of the decree, wherein banks were expected to fund the scheme with 10% of their overall loans and advances, which would earn an interest rate pegged at 5% (that is the current account interest rate plus 1%). Similarly, the fund

required life and non-life insurance companies to invest 20% and 10% of their premiums in the National Housing Fund (NHF), which will earn a fixed interest rate of 4%. The response of the financial sector had understandably been low. As the World Bank and industry watchers in Nigeria observe, adherence to this regulation would have reduced the profitability of the Banks, and the regulation was not actively pursued by the Central Bank of Nigeria.

The development of mortgage institutions was another central focus of this policy, and further signaled the advent of neoliberal policy of leaving provision of social needs to private enterprise. This was facilitated with the pooling of mandatory funds from Nigerians, with requirement that 2.5% of a worker's salary is deducted for the National Housing Fund.

This fund is held depository by the Federal Mortgage Bank, and is thereafter disbursed to Primary Mortgage Institutions (PMIs), which are supposed to then forward these as loans to households. PMIs were based on the British model of building societies (World Bank 2000) and were expected to support the development of a more vibrant and competitive housing finance sector, with the Federal Mortgage Bank of Nigeria acting as the regulatory and supervising agency. PMIs themselves have not been spared given the terms set out in the laws that establish them. It is required that PMI lending rates be capped to 9% with 25 year term loans, with the Federal Mortgage Bank refinancing 80% of the PMI mortgage credit balances at 5% interest rates. To date, the performance of the PMIs have been suboptimal, with most acting as commercial depository banks and a very low mortgage loan portfolio (Nubi 2003). In fact, recent media report that suggests that the FMBN may be keen to admit other financial institutions into the mortgage finance market to stimulate the market. This move seems to be in consonance with the World Bank (2000:17 at chapter seven of the Financial Sector Report – Nigeria 2000) recommendations that 'commercial banks remain the primary potential sources for financing a successful housing finance program in Nigeria.' This is a key indication of the source of domestic policies, as emanating from the requirements of International Finance Organizations.

The Creation of the Federal Ministry of Housing and Urban Development (2002), formation of Real Estate Developers Association of Nigeria (REDAN) in 2002; formation Building Materials Producers Association of Nigeria (BUMPAN) in 2004 were institutional adjustments made to the housing industry in order to support the NHF.

5.2.2 More Recent Interventions

As at 2007, the Central Bank of Nigeria in its Financial System Strategic Plan for the year 2020 noted that the NHF funding base was inadequate for the housing finance needs of the country. With a total collection rate of ₦15.4 billion (over \$102 million) at 2005 with loan applications standing at ₦ 39 million (about \$260,630), approved loan was put at ₦ 20 billion (about \$133 million) for 13,672 units (average ₦ 1.46m/unit-

\$9,719/unit) and only ₦ 10 billion (\$66,571,904) disbursed. The general perception, as noted by the apex banking institution is that the contribution is a regressive tax that has enjoyed low collection rate. The NHF and the NHP were ripe for reconsideration. A 'New National Housing Policy' formulated in 2001 therefore became official in 2006.

Over the last 5 years, other attempts at intervention emerged:

A 2006 White paper on the housing situation in relation to an earlier submitted report (Odili report) actively promote and encourage the emergence of a secondary mortgage market by restructuring and recapitalizing the Federal Mortgage bank of Nigeria to enable it perform effectively its statutory function as a secondary mortgage institution. (1010.2). This was to be done by:

- Encouraging the private sector to effectively participate in the provision of housing by granting tax exemptions on mortgage loans. (10.3.1);
- Sustaining the concept of total funding of site and service schemes (7.3.1(ii));
- Make 40% of the National Housing Trust Fund available for low income housing (7.3.1(v));

In 2006, a Presidential Committee on Mortgage Finance advocated achieving affordable, cost-effective construction through, bare-bone, no frill proto-type concept leaving the owner with the option of fitting to budget (6.3.1);

- Government subsidy assuming the "kind" in place of cash dimension through the provision of free land, infrastructure or generous incentives to operators with a strictly enforced social housing regime (6.3.2);
- Renewed commitment to the National Housing Fund (6.3.6).

In July 2007, the Nigerian Federal Housing Authority made a presentation to the President and proposed a housing delivery framework that will deliver 2 million housing units in 5 years. The report recommended:

- A funding mechanism for sustainable mass housing delivery.
- A mortgage system that is affordable and sustainable.
- Raising ₦25 billion (over \$166m) seed fund through DMO to create mortgage-able housing

stock as contained in the FHA's funding model.

- Passing of housing related laws that are pending in the National Assembly;
- FMBN be authorized to raise funds via bond issues to securitize mortgages originated under the housing programme;
- The bonds should enjoy same concessions given earlier for the ₦100 billion (close to \$666m) bond

issue for purchase of Non-Essential FG houses in Abuja;

- The proposal to be adopted as Presidential Initiative to promote its acceptability and support of all stake holders.

A high level Presidential Implementation Committee was set up in August 2007 with specific remit to develop a clear and deliverable plan for speeding up implementation of the key recommendations. Five broad strategies are proposed to reduce the

affordability gap faced by people on low income thus facilitating improved delivery of affordable housing:

- Reduce development cost through improved financing structures;
- Increase access to affordable mortgage products through new instruments;
- Reduce the cost to occupiers through tax and other financial incentives;
- Development of the Secondary Mortgage Market;
- Use of land subsidy to achieve affordable transfer values.

5.3 The Nigerian Government's Response Towards the 2008 Economic Downturn to Date

The setting up of the 2007 Presidential Implementation Committee was the last official action on housing delivery at the national level in Nigeria. The Committee since then has not come up with any policy direction. While the nation awaited the report of the committee, global recession set in. The Nigeria economy got off relatively lightly with the economic meltdown. The country did not experience full recession, but had been affected both directly and indirectly by global impacts of the downturn. Like Forrest (2009) maintained, the impact of the meltdown is felt to the extent that each nation is exposed to globalization and its agents. Thus it is felt that emerging markets that were not exposed to sub-prime lending and asset-backed securities, whose financial system was relatively localized and unsophisticated would be least affected by the global actions. At the outset of the crisis, perhaps the most important impact of the downturn for the Nigerian economy was to be felt in its reliance on crude oil exportation as the major source of national income. A crash of crude oil prices from \$147USD per barrel in July 2008 to \$40 USD per barrel in December 2008 according to Enebeli-Uzor (2009) and Central Bank of Nigeria (2009) was significant. However, by 2009 the situation had changed: a consistently high and rising crude oil prices in the range of \$60 to \$70 per barrel compared to the 2009 budgetary benchmark of \$45 ensured that revenue inflow to the Nigerian government increased, the excess being collected in an 'excess crude account' and hence Federation Account Allocations (FAA) to the various tiers of government increased in the first quarter 2009- ₦262b in January and ₦ 317b by year end (about \$1.7b and \$ 2.1 respectively).

Not so lucky is the capital market, which had witnessed increased volatility with all indices trending downwards, share price decline especially in the reformed banking sector (which traditionally accounts for close to 60% of the Nigerian Stock Exchange). Thus, the Nigerian Stock Exchange All Share Index (ASI) which stood at 2,861.55 points at the opening of the quarter came down to 2,507.08 as at end-September 2009. Market capitalization dropped from ₦6.18trillion to ₦5.23 trillion (that is from about \$41b to close to \$35b) between the start of the quarter and the end of the quarter at September. Nigerian investors were hard hit, especially as the capital market had a few months earlier been an attractive investment outlet for ordinary Nigerians. The general public became averse to the capital market leading to more share price drop. In the wake of this, prices in the down end of the property market remained unchanged, although in the luxury home market, prices had declined due to lower effective demand

for luxury homes. Property developers at the low/middle-income end of the market have also been affected by increased bank caution against loan funds outside of the bond market, and in the face of heightened regulatory and supervisory activities in the banking industry.

5.4 Mitigating Policy Actions

In terms of macro-economic policy, the official status of Nigeria is that of a 'mixed economy'. To a great extent, the direction towards neo-liberalism and socialism depends on political considerations. The quest for developmental funds from international donors also determines the policy environment, given the need to satisfy lending criteria.

Nigeria, like other countries, felt the impact of the global crisis to the extent of their exposure to the financial market that is largely driven by the property market. Policy change occurs as a result of the formal recognition for this, and in the period following the crisis, there was no clear, direct policy change to the structure of the NHF which is in fact the major housing finance policy of the country. Several calls had heralded the crisis, and these coming from practitioners and researchers have been towards the development of a second tier mortgage market. Indeed the vision of the financial system strategy brought forward by the Central Bank of Nigeria is 'to have one of the safest and most profitable mortgage markets among the emerging economies'. The mission statement is accordingly 'to use mortgage market as a major agent of positive social and economic change by making mortgage finance available to all classes of Nigerians'. A major objective was 'to restructure and convert existing NHF levy to operate as a mandatory savings scheme to be held with re-capitalized Primary Mortgage Institutions.

To date, there has been no direct policy change to this end, and neither has there been a direct injection of rescue funds for the housing sector as occurred in Britain. There is little indication that the secondary mortgage market promised by the Central Bank is near to operating capacity, despite the calls for this market as a panacea to the mortgage industry- first by the World Bank, and second by a host of financial watchers in Nigeria and the Diaspora.

However, in the wake of the economic downturn, governments locally have continued to call for private sector involvement in infrastructural provision and to defray capital expenditures to the private sector through public-private partnerships (PPP). Housing provision has been a major target in this arrangement where by Government and its agencies enter into a joint venture with a private sector partner (commercial banks, corporate developers and real estate developers); the government generally assumes responsibility for land acquisition, remediation and registration whilst the partner acquires fund for the development. Most of these partnerships are ostensibly to develop affordable housing. Many of the PPP schemes in different parts of the country remain promises and dreams. In Lagos State, Ogun State and Abuja, governments have in the recent time threatened to revoke land allocations should developers fail to develop within a specified period. The failure of these schemes shows that government needs to bring some elements of funding into the partnership.

5.5 Between the Nigerian Response and the British Response: Policy Implications

Unlike the British government that injected funds directly into the housing sector, and the US that increased households' capacity to spend through tax rebates (See the Economic Stimulus Act of 2008 enacted in February 2008 under President George W. Bush), The Nigerian government did not directly increase household capacity to spend, nor did it inject funds directly into the housing market. Rather, it initiated a total of ₦620 billion (\$4.1b) 'tier two capital' as a bail out loan to banks caught in the waves of banking reforms. Unlike the developed economies that adopted policies of 'concerted action, recapitalization, state ownership, government debt guarantees and improved regulations, the developing economies depend on infrastructural development projects based in fiscal stimulus measures (Enebeli-Uzor 2009:24). In Nigeria, the major consideration has been to develop housing as an economic good, and the government has not been enthusiastic about direct subsidies to home-seekers and home providers to cushion the effect of the economic downturn.

The times have been eventful for Nigeria as a nation no doubt. Recent events suggest a retrospective attention to the economic crisis, with little concrete policy movements. However, recent newspaper reports suggest that there has been a policy shift in the area of institutional change towards housing finance. As recently as Monday 1st February 2010, there were media reports suggesting changes to the National Housing Fund. It was reported that senior officials of FMBN had announced that the FMBN Board had reviewed two elements of NHF loan operations in response to numerous requests by the contributors. The review was meant to strengthen the performance of the housing sector.

Mortgage sector operators reportedly denounced the reform and protesting an alleged 'violating" of the NHF Act and also against being side-lined in the decision making process.

Notable areas of contention are: the inclusion of other financial institutions such as universal banks, pension fund administrators, insurance companies and microfinance banks as mortgage loan originators for on-lending of NHF loans, a hike in the maximum loan per contributor from ₦5 million to ₦ 15 million (that is \$33,285 to \$99,857). Under the new policy thrust, the equity payable by individual NHF applicants will also be increased on the basis of the property value. For instance, for loans of ₦5 million and below, equity payment would be 10 per cent; above ₦ 5 million would be up to ₦ 10 million or 20 percent; while above ₦ 10 million (\$66,571) up to ₦15 million attracts 30 per cent down payment or equity contribution.

If this review is pushed through, what are the implications for the households that are already making mandatory contributions into the scheme, and whose applications have not been met with loans, how affordable would the down payment regime be for a people who already spend over 30% on their income on renting accommodation to live. With the absence of any safety net for the most low-income, least of all the most vulnerable members of the society it would appear that this review is based not on

social consideration for Nigerian citizens, but on the drive to meet the housing need of very few high income earners who will take advantage of the low interest offered by the Fund compared to what the commercial banks offer. The implication of all this remains an area to be closely monitoring.

6. CONCLUSION

In this paper, we have examined the economic downturn and its probable effects on housing policy in two countries. Nigeria chose to adopt the free market approach to the provision of housing finance, with the promotion of a mortgage industry. This is in line with the globalization pull and the attractiveness of the policy in other countries, notably Britain. However, with the economic downturn, Britain adopted a policy of more government, whereby government infused more funds directly and indirectly into the Housing market to rejuvenate the market by increasing the capacity of providers to increase housing starts, putting more funds into the hands of consumers to reduce repossessions, maintain effective demand, and putting in place regulatory mechanisms that would ensure temporary succor to the housing market. This we note is an indication of the need to face social problems with more government – a tool which is in contradiction to the neoliberal economic policy developed nations are pretending to be renowned for.

In Nigeria, the dilemma remains that of adhering to neoliberal policy of less government participation, in the face of dire social need. In this case, it would appear that the need to continue to adhere to macro-economic policy has over-taken the more local needs of the people. If policy failure is inevitable, the outcome would be felt more by the people they are meant to serve. In a nation where there are no social safety nets, the luxury of 'winners takes all' portend a great danger to national survival. With the recent in the banking sector, it is clear that less than 100 people has access to the nation's credit facilities which were used to fund projects mainly in oil/ gas and communication sector- an act which would have been practically impossible before deregulation and market liberalization.

Governments of developing economies must be vigilant. They must realize that the concept of one mode fits all is no longer a popular philosophy. Good governance is centered on the people and not the requirements of World Bank and international donors. The wisdom today is to tactically abandon the reckless past of less government and poor supervision. Nigeria government should inject lots of fund into housing delivery through the market in form of improved mortgage services, development of mortgage insurance, government guarantee scheme and alternative models of hom funding for various sub-markets. Government must deliver on primary infrastructure to reduce total cost of construction and work had to implement the provisions of the national housing policy.

REFERENCES

- Adedipe, B. (2009): **Overview of the Global Economic Crisis**. A Paper presented at the 14th Seminar for Finance Correspondents and Business Editors, Marudi, Nigeria 15-18 July.
- Agbola, T & Olatubara, C. (2007): **Private Sector Driven Housing in Nigeria: Issues Constraints, Challenges and Prospects** in Nubi,T., Omirin, M., & Afolayan, A. (eds): Private Sector Driven Housing Delivery: Issues, Challenges and Prospects.
- Ajanlekoko, J (2001): **Sustainable Housing Development in Nigeria- The Financial and Infrastructural Implication**. Paper presented at the International Conference on Spatial Information for Sustainable development, Nairobi, Kenya.2-5 October 2001.
- Austin, P (2009): **The Affordable Housing: Enabling Territorial Authorities Act 2008- When Policy Transfer Fails**. Housing Finance International, September 2009, 14-17.
- Beer, A., Kearins, B., & Pieters, H., (2007). **Housing affordability and planning in Australia: The challenge of policy under neo-liberalism**. Housing Studies, 22, 1, 11–24.
- Buckley, R., Faulk, D.,& Olajide, L. (1993): **Private Sector Participation, Structural Adjustment and the New Nigerian Housing Policy: Lessons for Foreign Experience**. TWURD, Working Paper No 5.
- Canterbury, C. (2004). **Development Alternatives to Neoliberal Globalization: Or Are There No Alternatives?** Review of Radical Political Economics, 36, 3, 391-399.
- Barkin, D (1998): **Wealth, Poverty and Sustainable Development**. Mexico: Editorial Central Mortgage Bank of Nigeria (2009): **Financial Sector Strategy FSS 2020: Mortgage**. Available at www.cenbank.org/fss/fsshome/a.asp
- Enebeli-Uzor, S (2009): Global Financial Crisis: Flicker of Hope, One Year After. Zenith Economic Quarterly. 4, 4, October, 17-26.
- Erbas, N & Nothaft, F (2005): **Mortgage markets in Middle East and North African Countries: Market development, poverty reduction, and growth**. Journal of Housing Economics, 14, 212–241.
- Forrest, R (2008): **Risk, Governance and the Housing Market**. Housing Finance International, xxiii, 3-13.
- House of Commons Communities and Local Government Committee (2009): **Housing and the Credit Crunch 3rd Report of Session 2008-2009; report together with formal minutes, with oral and written evidence**. The House of Commons. London: The Stationary Office.
- Ifediora, J. (2009): **The Global Financial System and National Economics: A Conflation of Two Economic Doctrines**. A Paper presented at the 50th anniversary international conference of the Central Bank of Nigeria. Abuja, Nigeria. May 4-6 2009.
- Jessop, B. (2002). **Liberalism, Neoliberalism and Urban Governance**, Antipode, 34, pp. 452–472.

- Lawal, M.I (1997): **Principles & Practice of Housing Management**. Environmental Design and Management Series. Lagos. ILCO Books and Publishers.
- Liverman, D & Vilas, S (2006): **Neoliberalism and The Environment in Latin America**. Annual Review of Environment Resources. 31: 327-363.
- Norris, M. & Shiels, P. (2007). **Housing inequalities in an enlarged European Union: drivers, implicate**. Journal of European Social Policy. 17,1, 65–76.
- Nubi, T (2003): **Flying with One Wing: Dilemma of Mortgage Banking**. The Estate Surveyor and Valuer. 26,1, 23-31.
- Nubi T G (2006): **An Assessment of the Effectiveness of Mortgage Finance in Nigeria**. An unpublished Ph D thesis submitted to the Department of Building, University of Lagos.
- Nubi, T (2007): **Affordable Housing Finance in Nigeria**. A paper presented at the International Workshop on Affordable Housing Delivery Organised by South African Housing Foundation. Cape Town, South Africa.
- Omirin, M.M (1992). **Land for private low income housing: An evaluation of the effects of Land Nationalization Policy in Lagos Metropolitan area**. Unpublished Urban Economics: Library of Congress Cataloging-in Publication Data USA. PhD Dissertation submitted to the Land Economy Department, Cambridge University
- Rose, R (2005): **Learning from Comparative Policy**. Routledge, London.
- Stone, M (2009): **Housing and the Financial Crisis: Causes, Consequences, Cures**. Housing Finance International, September 2009, 34-37.
- Uwaegulam, C (2010): **Mortgage Operators kick as FMBN unfolds NHF Policy Changes**. Monday February 01. Available at http://www.ngrguardiannews.com/homes_property/article01//indexn3_html?pdate=010210&ptitle=Mortgage%20operators%20kick%20as%20FMBN%20unfolds%20ONHF%20policy%20changes&cpdate=070210
- Veltmeyer, H. & O'Malley (2001): **Community-Based Development in Latin America**, (eds.,) Bloomfield, CT: Kumarian Press, 2001.
- World Bank (2000): **Nigeria Financial Sector Review**. Volume 3. Non-Bank Financial Institutions and Markets. The World Bank.